STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Auto Club Family Insurance Company for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of Auto Club Family Insurance Company for the period ended December 31, 2012 together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Auto Club Family Insurance Company as of December 31, 2012 be and is hereby ADOPTED as filed and for Auto Club Family Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 16th day of May, 2014.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

Auto Club Family Insurance Company

As of:

DECEMBER 31, 2012

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 26, 2014
St. Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Auto Club Family Insurance Company

hereinafter referred to as "Family", or the "Company". The Company's home office is located at 12901 North Forty Drive, St. Louis, Missouri 63141; telephone number (314) 523-7350. Examination fieldwork began on December 2, 2013, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Auto Club Family Insurance Company. The last examination was completed as of December 31, 2009. This examination covers the period of January 1, 2010, through December 31, 2012. This examination also included material transactions or events occurring subsequent to December 31, 2012.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration ("Department" or "DIFP") or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and to identify prospective risks of the Company. This process involves obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating the systems controls and procedures used by the Company to mitigate those risks. The examination also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The following key activities were identified: Affiliated Parties, Claims and Reserving, Investments and Treasury, Premiums and Underwriting, and Reinsurance.

This examination was conducted in coordination with the examination by the California Department of Insurance (CDI) of the Interinsurance Exchange of the Automobile Club (IEAC), a California domiciled company with which the Company is affiliated. IEAC administers various activities for the Company, including three of the key activities identified above: Affiliated Companies, Investments and Treasury, and Reinsurance. California was the lead state for this coordinated examination and the examiners used information and workpapers provided by CDI for the examination of the Company's activities that are administered by IEAC.

The examiners also used information and workpapers provided by the Company's independent auditor, Ernst & Young LLP, of Los Angeles, California, for its 2012 audit. The external auditor's workpapers included fraud risk analysis, process narratives, internal control testing and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

The Company and its parent, Automobile Club Inter-Insurance Exchange (Exchange), participate in a Reinsurance Pooling Agreement with IEAC. The Pooling Agreement stipulates that the participants pool all of their net underwriting business after cessions to non-affiliated reinsurers. IEAC as the pool leader retains 95% of the total pool and cedes the remaining 5%; 4% to Exchange and 1% to the Company.

SUBSEQUENT EVENTS

None.

COMPANY HISTORY

General

The Company was incorporated under the laws of Missouri on June 22, 1987 and commenced business on June 27, 1987 as Alternative Insurance Company of North America, Inc. The Company was purchased by Automobile Club Inter-Insurance Exchange on January 1, 1990 and the current name was adopted on January 11, 1990.

Capital Stock

The Company is authorized to issue 12,000 shares of common stock with a par value of $100 per share. As of December 31, 2012, 12,000 shares were issued and outstanding to the sole shareholder, Automobile Club Inter-Insurance Exchange, resulting in capital stock of $1,200,000.

When the Company was acquired by Automobile Club Inter-Insurance Exchange, gross paid-in and contributed surplus was $1,136,694. Additional contributions to surplus were made in 1991, 1995, 1996 and 2006 for $450,000, $2,500,000, $4,252,657 and $5,000,000 respectively, to bring total gross paid-in and contributed surplus to $13,339,352 at December 31, 2012.

Dividends

The Company has not paid any dividends since its acquisition by Automobile Club Inter-Insurance Exchange.

Acquisitions, Mergers and Major Corporate Events

No acquisitions, mergers or major corporate events occurred during the examination period.

Surplus Debentures

The Company did not have any surplus debentures issued or outstanding during the examination period.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws of the Company. No amendments were made to the Articles of Incorporation or Bylaws during the examination period.

The minutes of the meetings of the shareholder and board of directors were reviewed for the period under examination and provided sufficient documentation of major corporate transactions. Meetings are held by written consent as allowed under the Company's bylaws. The prior examination report was reviewed and accepted by the board of directors in July 2011.

MANAGEMENT AND CONTROL

Board of Directors

The Board of Directors of the Company consists of nine members duly elected at the annual meeting of the sole shareholder, as authorized by the Articles of Incorporation. The members elected and serving as of December 31, 2012 were as follows:

Name	Principal Occupation
Lonnette M. Fischer St. Louis, Missouri	Finance Manager Automobile Club of Missouri
Arthur W. Johnson St. Louis, Missouri	President and CEO Automobile Club of Missouri
Christina M. Kelly St. Louis, Missouri	Director of Financial Compliance Automobile Club of Missouri

Carl D. Kraft St. Louis, Missouri	Assistant Secretary Automobile Club of Missouri
David M. Mattingly Trabuco Canyon, California	Senior Vice President, CFO and Treasurer Automobile Club of Southern California
Michael J. Right St. Louis, Missouri	Vice President, Public Affairs Automobile Club of Missouri
Steven R. Schone Chesterfield, Missouri	Vice President, Sales Automobile Club of Missouri
Robert J. Schreiber Chesterfield, Missouri	Vice President, Insurance Operations Automobile Club of Missouri
James R. Strike St. Louis, Missouri	Director, Claims Automobile Club of Missouri

The Company does not have its own investment or audit committees. The investment policy and audit committees of the parent, Automobile Club Inter-Insurance Exchange, act on behalf of the Company.

Officers

The officers of the Company elected and serving as of December 31, 2012 were as follows:

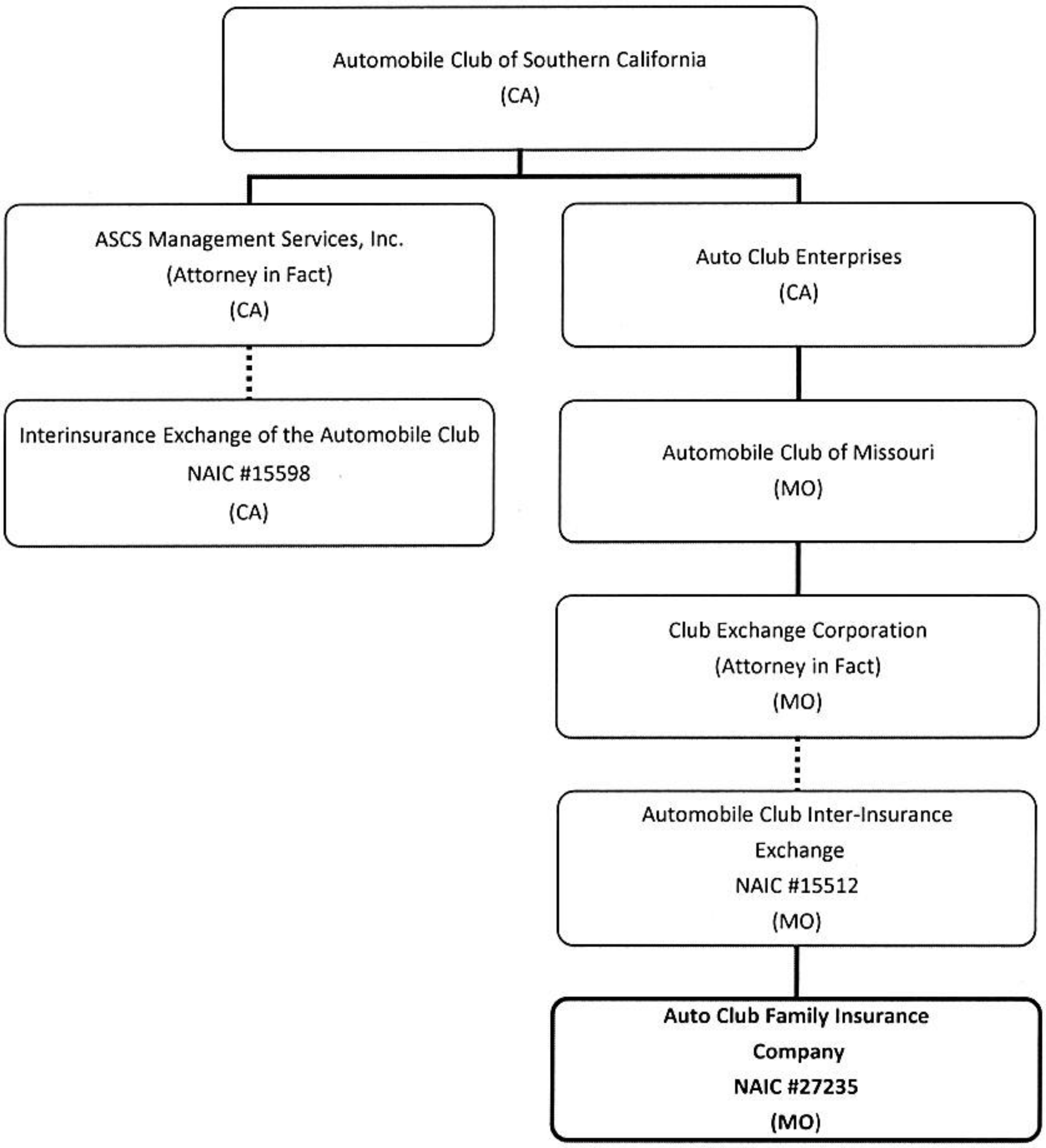
Name	Office
Arthur W. Johnson	President and CEO
David M. Mattingly	Vice President, CFO and Treasurer
Michael J. Right	Vice President
Robert J. Schreiber	Vice President
Gail C. Louis	Secretary
Carl D. Kraft	Assistant Secretary

Holding Company, Subsidiaries and Affiliates

The Company is part of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is wholly owned by Automobile Club Inter-Insurance Exchange, which is a reciprocal inter-insurance exchange. The affairs of Automobile Club Inter-Insurance Exchange are managed by Club Exchange Corporation (CEC), the attorney-in-fact appointed by the subscribers of Club Exchange Corporation. Club Exchange Corporation is wholly owned by Automobile Club of Missouri (ACMO), an affiliate of American Automobile Association (AAA). Automobile Club of Southern California (ACSC) is the ultimate controlling entity.

Organization Chart

The following organization chart depicts the insurance holding company system as of December 31, 2012. Dotted lines represent affiliation through a Subscriber Agreement whereby affairs are managed by an Attorney-In-Fact.



Affiliated Transactions

The Company has entered into various agreements with affiliates. These agreements are discussed below.

Affiliation Agreement

Affiliates: Exchange, Family, ACMO, CEC, IEAC, ACSC, ACSC Management Services, Inc. and Auto Club Enterprises (ACE).

Effective: March 1, 2006.

Terms: The Affiliation Agreement sets forth the provisions for control among the companies. Specifically, the parties agreed to take the following actions pursuant to this agreement:

- The Board of Directors and other internal governing bodies were consolidated to accommodate representation of all companies.
- The Company and Exchange commuted their existing 100% inter-company reinsurance pooling treaty. In turn, a new inter-company reinsurance pooling treaty between the Company, Exchange and IEAC was executed.
- ACE and ACMO entered into a service agreement whereby the parties provide certain services to each other following the closing.
- Exchange issued a surplus note in the principal amount of $50 million to IEAC. $22 million of the proceeds of the new surplus note was used to retire the $20 million surplus note that was previously issued by Exchange to ACMO.
- IEAC agreed to maintain the "surplus ratio" of Exchange at no less than 60% (in effect, a 167% or lower net premiums to surplus ratio) after giving effect to the new inter-company pooling agreement between the parties.
- IEAC agreed to become licensed, accredited or qualified in the state of Missouri in order for the Company and Exchange to take full reserve credit for amounts ceded to IEAC under the new inter-company reinsurance pooling agreement between the parties.
- The Company and Exchange agreed to become accredited in the state of California in order for IEAC to take full reserve credit for amounts retroceded to the Company and Exchange under the new inter-company reinsurance pooling agreement.
- In order to effectuate the accreditation of the Company as a reinsurer in California, Exchange contributed $5 million dollars to the surplus of the Company to place its surplus position above $20 million. Exchange also provided a minimum surplus guarantee of $20 million dollars for the Company.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

Reinsurance Pooling Agreement

Affiliates: Exchange, Family, and IEAC.

Effective: June 30, 2006. Amendment December 31, 2010.

Terms: Exchange and Family cede 100% of their premiums net of unaffiliated reinsurance to IEAC. In turn, IEAC retrocedes 4% and 1% of the pooled premiums to Exchange and Family respectively, and retains 95% of the premiums for itself. All losses, loss adjustment and other expenses related to this pooled business are allocated to each company on the same basis as the original retrocession percentages. The first amendment contains revisions to termination provisions and allocation of shares upon termination.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

Tax Allocation Agreement

Affiliates: Exchange and Family.

Effective: June 1, 1990. Amended June 22, 1998.

Terms: This agreement provides that the parties will file a consolidated federal income tax return. The consolidated income tax liability is allocated to each of the parties on the basis of its contribution to the consolidated taxable income. Tax benefits from net operating losses and tax credits are allocated to the party generating the operating loss or tax credit.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

Parental Guarantee Agreement

Affiliates: Exchange and Family.

Effective: August 29, 1991 (Guarantee to Kansas).
June 28, 2006 (Guaranty to California).

Terms: Exchange has provided a guarantee to the Insurance Department of the State of Kansas that the surplus of Family will not fall below $1.25 million at any point in time. Said guarantee was requested by Kansas as a contingency for approval of Family to write homeowners business in that State's jurisdiction. It is not expected that this guarantee will ever require any action on the part of the Exchange, as the minimum surplus required of Family is $2.4 million under Missouri State Statutes, well above the Kansas requirement. Additionally, the Exchange has provided to the State of California a guarantee that the surplus of Family will not fall below $20 million at any time. This guarantee was to fulfill a requirement for the initial registration of Family as an accredited reinsurer in that state.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

Service Agreement
Affiliates: Exchange, Family, CEC and ACMO.

Effective: October 12, 2009. Amended January 1, 2011.

Terms: ACMO provides general and administrative services to the parties, including public relations, investment of surplus and reserves, claims and claims adjustment, underwriting, actuarial, data processing, maintenance, general office, as well as legal, accounting and auditing services. As compensation, the Company pays ACMO a management fee based on gross premiums written. In addition, the Company reimburses ACMO for the direct costs and overhead costs incurred by ACMO on behalf of the Company. Direct costs include those departments (such as underwriting and claims) which provide services only to the two insurance companies (Exchange and Family). Overhead costs consist of other departments and functions which provide services to the insurance companies and other affiliates. Appendix A of the agreement is amended periodically and represents the procedure used by management to allocate expenses to Exchange and Family.

Rate(s): The Company incurred $458,848 in management fees in 2012 per this agreement.

Multiple Cedent Allocation Agreement
Affiliates: Exchange, Family and IEAC.

Effective: January 1, 2008.

Terms: The purpose of this agreement is to properly allocate and record reinsurance premiums, reinstatement premiums, and recoveries among the parties as cedents to a multiple-cedent reinsurance arrangement as required by SSAP 62R. Premiums are allocated in accordance with schedules contained in the agreement. The schedules are developed using the required premium deposit amounts for each reinsurance contract at the beginning of a treaty year.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company is insured on a fiduciary policy purchased by ACSC that provides aggregate coverage of $10,000,000 with a $100,000 per loss deductible. This coverage complies with the suggested minimum amount of coverage according to NAIC guidelines.

The Company also benefits from other insurance coverage held by ACSC, which includes but is not limited to directors and officers' liability, general liability, commercial automobile liability, property insurance, commercial excess umbrella and workers compensation.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not have any direct employees. Services are provided by employees of the Automobile Club of Missouri pursuant to the Service Agreement.

The benefits received by the personnel covered in the above mentioned Service Agreement include, but are not limited to, paid holidays and leave, healthcare benefits, life insurance, disability, flexible spending accounts, 401(k) profit sharing plan and a defined benefit pension plan.

TERRITORY AND PLAN OF OPERATIONS

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 379 RSMo (Insurance other than life) to write property, liability, accident & health and miscellaneous insurance. The Company is also licensed in the states of Alabama, Arkansas, Illinois, Indiana, Kansas, Louisiana, Mississippi and Ohio. Approximately 70% of the 2012 direct premiums were written in Missouri.

The Company markets homeowners insurance, non-standard private passenger auto insurance and rental dwelling insurance through 241 licensed captive agents who are employed by the Auto Club of Missouri and located in 76 branch and sales offices, 29 direct sales agents, and through 189 independent agents, who accounted for 23.8% of direct premium in 2012. Beginning in November 2010, insurance is only sold to members of ACMO.

The employees of ACMO also sell standard private passenger automobile insurance and personal umbrella insurance for Exchange, the Company's parent. In addition, the employees sell memberships for ACMO, life and annuity products for AAA Life Insurance Company (an affiliate), as well as life, health and other insurance products for non-affiliated licensed insurance companies.

GROWTH OF COMPANY

The table below illustrates Family's written premiums and capital and surplus for each year during the examination period.

	2010	2011	2012
Direct Premiums	79,393,394	92,786,908	110,382,405
Reinsurance Assumed	25,614,625	26,465,010	27,503,103
Reinsurance Ceded	79,560,557	92,786,908	110,382,405
Net Premiums	25,447,462	26,465,010	27,503,103
Capital & Surplus	32,011,499	32,610,166	35,439,125
Change in Net Premiums	3.23%	4.00%	3.92%
Net Premiums to Surplus	79%	81%	78%

The Company has grown moderately over the period, averaging an annual increase in net written premiums of approximately 3.7%. Direct premiums written by Family in 2012 represented approximately 4% of total premiums written by the pool. This percentage has gradually increased in recent years as the Company continues to gain market share and operating scale in the states in which it is licensed, which provides further geographical diversification to the pool outside of the state of California. The net premium leverage ratio has remained steady over the period, and generally indicates a level of surplus that could support a significant deterioration in underwriting results.

LOSS EXPERIENCE

The following exhibit illustrates Family's underwriting results for each year during the examination period.

	2010	2011	2012
Net Premiums Earned	24,981,779	26,059,229	27,050,926
Net Underwriting Gain (Loss)	2,165,852	367,385	893,102
Net Income	2,266,190	873,224	1,802,279
Net Loss Ratio	66.7%	73.7%	72.4%
Expense Ratio	24.1%	24.5%	23.9%
Policyholder Dividend Ratio	6.7%	4.8%	6.2%
Combined Ratio	97.6%	103.0%	102.5%

The Company produced a net underwriting gain and positive net income each year. The reinsurance pooling agreement dampened the effect of direct losses suffered as a result of tornados, severe storms and other weather-related events occurring in the Midwest and Southeast. The net loss ratio on a pooled-basis increased from 66.7% in 2010 to 73.7% in 2011, before moderating somewhat to 72.4% in 2012. The combined ratio also increased over the period, but was still at an acceptable level of 102.5% at year-end 2012.

REINSURANCE

General

Premiums written during the current examination period were as follows:

Premiums	2010	2011	2012
Direct Business	$ 79,393,394	$ 92,786,908	$110,382,405
Reinsurance Assumed	25,614,625	26,465,010	27,503,103
Reinsurance Ceded	79,560,557	92,786,908	110,382,405
Net Premiums	$ 25,447,462	$ 26,465,010	$ 27,503,103

Assumed

The Company participates in a reinsurance pooling agreement with IEAC and Exchange. Under this agreement Exchange and Family cede 100% of their net premiums and losses after outside reinsurance to IEAC. In turn, IEAC retrocedes 4% and 1% of the pooled premiums and losses to Exchange and the Company respectively, and retains 95% for itself.

Ceded

The Company participates in a reinsurance program with other members of the ACSC organization including IEAC, Exchange, AAA Texas County Mutual Insurance Company, Auto Club Casualty Company and Auto Club Indemnity Company. The purpose of the program is to control exposure to potential losses arising from large risks and to reduce the losses that may arise from catastrophes. The reinsurance is affected under a series of five excess-of-loss reinsurance contracts. The organization uses two reinsurance intermediaries, Guy Carpenter and BMS Intermediaries, Inc., to manage the program. Below is a summary of the limits of liabilities under the treaties (all numbers are in 000's):

Type of Contracts	Reinsurer(s) Name	Company's Retention	Reinsurer's Maximum Limits
2nd Layer (*)	Various/Authorized and Unauthorized	(A) $200,000 per Risk (B) $100,000 per Risk	$150,000 per Risk
3rd Layer (*)	Various/Authorized and Unauthorized	(A) $350,000 per Risk (B) $250,000 per Risk	$200,000 per Risk
4th Layer (*)	Various/Authorized and Unauthorized	(A) $550,000 per Risk (B) $450,000 per Risk	$350,000 per Risk
5th Layer	Various/Authorized and Unauthorized	(A) $900,000 per Risk (B) $800,000 per Risk	$50,000 per Risk
6th Layer	Various/Authorized and Unauthorized	(A) $950,000 per Risk (B) $850,000 per Risk	$25,000 per Risk

(*) The ACSC companies participate at a rate of 5% in the 2nd, 3rd and 4th layers.
(A) California Market
(B) All Other Markets
Note: The 1st layer was not renewed for the July 1, 2012 contract year. As a result, the Company's retention is now the $200,000 per occurrence retention ($100,000 for non-California markets) stipulated in the 2nd layer of the contracts.

ACCOUNTS AND RECORDS

General

Accounting functions are performed using Oracle eBS and Hyperion. The Princeton Accounting Management (PAM) system is used to track investment activity. Policy administration is supported with the PolicyStar system. The Claims Workstation System (CWS) is used for claims administration. Various other software programs, which were produced in-house or secured through a third-party, are used to perform other operating functions.

Independent Auditor

The Company's financial statements are audited annually by the accounting firm of Ernst & Young LLP. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Actuarial Opinion

Reserves and related actuarial accounts reported in the financial statements were reviewed and certified by Christopher P. Walker, FCAS, MAAA of PricewaterhouseCoopers LLP on behalf of the Company.

Information Systems

In conjunction with this examination, Andrew Balas, AES, Information Systems Financial Examiner with the DIFP, conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP, as reflected below, were sufficient to meet the capital deposit requirements of the state of Missouri in accordance with RSMo Section 379.098 (Securities to be deposited by all companies, kind and amount). These deposits are held for the benefit of all policyholders and creditors of the Company.

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Notes	$ 1,550,000	$ 1,605,340	$ 1,576,297

Deposits with Other States

The Company has funds on deposit with one other state in which it is licensed. The funds on deposit as of December 31, 2012, were as follows:

State	Type of Security	Par Value	Fair Value	Statement Value
Arkansas	U.S. Treasury Bond	$ 235,000	$ 363,075	$ 242,385
Arkansas	U.S. Treasury Note	130,000	134,641	131,200
Totals		$ 365,000	$ 497,716	$ 373,585

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2012, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments On Financial Statements" section, which follow the financial statements.

There may have been additional differences found in the course of this examination that are not shown in the "Comments On Financial Statements." These differences were determined to be immaterial in relation to the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$ 41,881,382	$ -	$ 41,881,382
Common stocks	17,843,463	-	17,843,463
Cash and short-term investments	1,194,433	-	1,194,433
Receivable for securities	29,158	-	29,158
Investment income due and accrued	462,724	-	462,724
Uncollected premiums	18,651,754	159,881	18,491,873
Deferred premiums	3,828,586	-	3,828,586
Amounts recoverable from reinsurers	22,123,483	2,013	22,121,470
Net deferred tax asset	625,780	-	625,780
Receivables from affiliates	2,667,344	-	2,667,344
Miscellaneous receivables	3,929	-	3,929
California Fair Plan	10,152	10,152	-
TOTAL ASSETS	**$ 109,322,188**	**$ 172,046**	**$ 109,150,140**

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$	7,813,811
Reinsurance payable on paid losses and LAE		5,050,122
Loss adjustment expenses		1,713,542
Other expenses		40,958
Taxes, licenses and fees		223,938
Unearned premiums		13,185,292
Advance premium		255,773
Policyholder dividends declared and unpaid		445,000
Ceded reinsurance premiums payable		34,322,805
Amounts withheld or retained by company		10,410
Remittances and items not allocated		12,402
Payable to parent, subsidiaries and affiliates		10,260,113
Payable for securities		140,170
Miscellaneous liabilities		206,679
Litigation reserve		30,000
TOTAL LIABILITIES	**$**	**73,711,015**
Common capital stock	$	1,200,000
Gross paid-in and contributed surplus		13,339,352
Unassigned funds (surplus)		20,899,773
SURPLUS AS REGARDS POLICYHOLDERS	**$**	**35,439,125**
TOTAL LIABILITIES AND SURPLUS	**$**	**109,150,140**

STATEMENT OF INCOME

Underwriting Income:				
Premiums earned			$	27,050,926
Deductions:				
Losses incurred	$	16,872,291		
Loss expenses incurred		2,722,223		
Other underwriting expenses incurred		6,563,310		
Total underwriting deductions				26,157,824
Net Underwriting Gain (Loss)			**$**	**893,102**
Investment Income:				
Net investment income earned	$	1,679,095		
Net realized capital gains		642,081		
Net Investment Gain (Loss)			**$**	**2,321,176**
Other Income:				
Net loss from agents or premium balances charged off	$	(54,764)		
Finance and service charges		571,543		
Total Other Income			**$**	**516,779**
Net income before dividends and FIT			**$**	**3,731,057**
Dividends to policyholders				1,690,170
Federal income taxes incurred				238,608
Net income			**$**	**1,802,279**

RECONCILIATION OF SURPLUS

Changes from December 31, 2009 to December 31, 2012

	2010	2011	2012
Surplus as regards policyholders; December 31 prior year	$28,128,835	$32,011,499	$32,610,166
Net income	2,266,190	873,224	1,802,279
Net unrealized capital gains or (losses)	1,173,581	(120,699)	937,762
Change in net deferred income tax	(90,294)	154,911	(137,291)
Change in nonadmitted assets	533,187	(306,367)	120,616
Change in provision for reinsurance	-	(2,402)	2,402
Cumulative effect of changes in accounting principles	-	-	103,191
Change in surplus as regards policyholders for the year	3,882,664	598,667	2,828,959
Surplus as regards policyholders; December 31 current year	$ 32,011,499.00	$ 32,610,166.00	$ 35,439,125.00

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

GENERAL COMMENTS OR RECOMMENDATIONS

There are no general comments or recommendations.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Auto Club Family Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andrew Coppedge, CFE; Mike Behrens, AFE; Amy Snyder, CFE, CPA, MA; and Andy Balas, AES, CFE, CPA; examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, John Boczkiewicz, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

John Boczkiewicz, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 7th. day of April, 2014
My commission expires:
1-10-2018

Notary Public

SANDRA K. NICHOLS
Notary Public - Notary Seal
STATE OF MISSOURI
Lincoln County
My Commission Expires: Jan. 10, 2018
#13399171

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration